

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company
for Authority to Establish Its Authorized rates of
return on Common Equity for Electric Utility
Operations and Gas Distribution for Test Year
2003. (U 39 M)

Application 02-05-022
(Filed May 8, 2002;
Petition for Modification
filed April 1, 2003)

And Related Matters.

Application 02-05-025
Application 02-05-026
Application 02-05-031

**ORDER GRANTING SOUTHERN CALIFORNIA EDISON COMPANY'S
PETITION TO MODIFY DECISION 02-11-027**

I. Summary

This order exempts Southern California Edison Company (SCE) from filing a 2004 test year cost of capital (COC) application. SCE's next COC application shall be for its 2005 test year and shall be filed by May 10, 2004.¹

¹ Although Decision (D.) 89-01-040 provides for COC applications to be filed by May 8 of each year, that date falls on a Saturday in 2004. Pursuant to Rule 3.2 of the Commission's Rules of Practice and Procedure (Rules), its 2005 test year application should be due on the first business day following May 8.

II. Background

SCE is required to file a test year COC application on May 8 of each year, pursuant to D.89-01-040.² Consistent with that requirement, SCE filed its 2003 test year COC application on May 8, 2002. By D.02-11-027, dated November 7, 2002, SCE was authorized an 11.60% COC for its 2003 test year based on a capital structure of 47.00% long-term debt, 5.00% preferred stock, and 48.00% common stock. Its 2004 test year COC filing date has been postponed until July 8, 2003 pending resolution of the petition before us.³

III. Petition

On April 1, 2003, SCE filed a petition to modify D.02-11-027 to allow it to forego a 2004 test year COC application. SCE seeks this exemption on the basis that there has been no material change in its financial circumstances or in bond interest rates since the completion of its 2003 test year COC proceeding.

SCE provided several reasons for its request. As detailed in the May 2, 2003 supplement to its petition, SCE's capital structure remains the same as its adopted 2003 test year COC and its debt and preferred stock issuances retain the non-investment grade ratings that existed during that test year COC proceeding.⁴ Those same rating agencies have found SCE's financial recovery to be heavily dependent on resolution of PROACT balancing account issues under review by

² 30 CPUC 2d 576 at 610 (1989).

³ Executive Director's April 8, 2003 letter issued pursuant to Rule 48(b).

⁴ Investment grade commonly means that a company's debt or preferred stock carries a BBB- or better rating from Standard & Poor's and a Baa3 or better rating from Moody's Investors Service. SCE's ratings have remained unchanged since March of 2002.

the California Supreme Court.⁵ Finally, interest rate projections have not changed materially since its last COC proceeding. For example, the interest rate projection during the 2003 test year proceeding was 7.16% in November of 2002 compared to 7.28% in April of 2003, a nonmaterial twelve basis points differential.⁶

IV. Discussion

On April 24, 2003, the Office of Ratepayer Advocates (ORA) filed a response supporting SCE's petition on the basis that SCE's COC may be more accurately measured and determined when the uncertainty surrounding the electric crisis has been reduced; ORA also asserts that Commission resources are better directed to regulatory matters other than COC in 2004.⁷ No other responses were filed.

With no opposition to SCE's petition and the status quo of SCE's capital structure and credit ratings and nominal change in long-term interest rates, there is no useful purpose being served by requiring SCE to file a 2004 test year COC application at this time. SCE's petition should be granted.

V. Comments on Draft Decision

This is an uncontested matter in which the decision grants the relief requested. Therefore, the applicable 30-day period for public review and

⁵ See Application (A.) 02-05-022 et al., Exhibit 34, pp. 70-73. Although the Commission is considering the transfer of SCE's uncollected PROACT balance to an Energy Resource Recovery Account in A.03-01-019, that proceeding does not resolve the PROACT issues before the California Supreme Court.

⁶ One basis point equals 0.01%.

⁷ ORA's response at 2.

comment is being waived pursuant to Section 311(g)(2) of the Public Utilities Code.

VI. Assignment of Proceeding

Geoffrey F. Brown and Michael R. Peevey are the Assigned Commissioners and Michael J. Galvin is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. SCE seeks authority to forego its 2004 test year COC application.
2. SCE's 2004 test year COC application is scheduled to be filed on July 8, 2003.
3. SCE's capital structure remains the same as its adopted 2003 test year COC.
4. SCE's debt and preferred stock issuances retain non-investment grade credit ratings that existed during its 2003 test year COC proceeding.
5. The rating agencies have found SCE's financial recovery to be heavily dependent on resolution of PROACT balancing account issues currently under review by the California Supreme Court.
6. Interest rate projections during the 2003 test year COC proceeding have not changed materially.
7. ORA concurs with SCE's petition.
8. There is no filed opposition to SCE's petition.

Conclusions of Law

1. SCE's unopposed petition should be approved because it has demonstrated that there has been no material change in its financial circumstances or in bond interest rates since the completion of its 2003 test year COC proceeding.

2. This decision should be effective today, in order to allow the docket to be closed expeditiously.

IT IS ORDERED that:

1. Southern California Edison Company (SCE) is exempt from filing a 2004 test year cost of capital (COC) application.

2. SCE shall file a 2005 test year COC application by May 10, 2004.

3. Application (A.) 02-05-022 remains open for the receipt and resolution of an amended application requesting a true up Pacific Gas and Electric Company's 2003 test year COC.

4. A.02-05-025, A.02-05-026, and A.02-05-031 are closed.

This order is effective today.

Dated _____, at San Francisco, California.